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ASEAN INVESTMENT & TAX NEWS

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FOREWORD

Greetings and welcome to the second instalment of the ASEAN Investment & Tax News of 2022

On 14 September 2022, the ASEAN Investment Report 2022 titled "Pandemic Recovery and Investment Facilitation" was released at the 25th Meeting of ASEAN Economic Ministers - ASEAN Investment Area Council. According to the report, foreign direct investment (FDI) inflows in ASEAN increased by 42% to reach US$174 billion in 2021. This increase to near pre-pandemic levels reflects the attractiveness of the region's economy for global investors. With a large market and strong regional integration, ASEAN remains a major FDI destination in the developing world – second only to China – and will play an important role in driving global economic recovery.

However, the ASEAN region is not spared from the economic effects from the Ukraine-Russia conflict which has increased food and energy prices and further complicated global supply chain disruptions. Although quarantine-free travel in ASEAN has resumed, the rising global inflation and U.S. rate hikes threaten the region's economic recovery in 2022.

Our tax experts continue to analyse and bring you the latest in-depth updates in ASEAN.

In this publication, we feature an article from Noel Clehane, BDO Global Head of Regulatory & Public Policy, which touched why Indonesia's G20 chairmanship could not have come at a more important time, what it means for businesses planning to expand into Southeast Asia in the next two years and the opportunities in Indonesia.

We also have a guest article from UOB on setting sail on the voyage to ASEAN. The combined trade volume between China and ASEAN exceeded US$800 billion for the first time last year. The Regional Comprehensive Economic Partnership (RCEP)—which went into effect at the beginning of the year—will also aid in the development of a more inclusive and open economic and trade relationship within the ASEAN region.

In Cambodia, we discuss the Notification No. 10979 on the "Required Documents to Support the Interest Charge on Related Party Loans", issued by the General Department of Taxation on 25 May 2022.

Meanwhile, in Indonesia, our colleagues discuss the value-added tax treatment on crypto assets transactions.

In Malaysia, we discuss the Malaysia Digital Status, under Malaysia Digital, a strategic initiative by the Malaysian Government, that is built on a foundation that has been laid by Multimedia Super Corridor (MSC) Malaysia and aims to promote digital transformation and accelerate the nation's growth into a knowledge-based economy.

In Myanmar, our colleagues discuss investment updates and guidance on withholding tax reporting obligations.

Finally, in Thailand, we discuss the international business center (IBC) regime with the corresponding tax and non-tax incentives, the new visa called the 'Long-Term Resident visa (LTR)' and other tax updates.

We trust this publication will offer insights for your business and investment strategies in and around the region. BDO in our various offices across ASEAN are ready to assist you should you require any further information.

DATO' GAN AH TEE DNS JP
Regional Senior Partner
BDO in ASEAN

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FEATURE ARTICLE

BY NOEL CLEHANE

INDONESIA'S G-20 CHAIRMANSHIP COULD NOT HAVE COME AT A BETTER TIME

Recover Together, Recover Stronger: These words form the main theme of this year's Group of Twenty (G-20) meetings, which are being chaired by Indonesia.

While the Russia-Ukraine War has come to the fore for the global economy more recently, a large part of the G-20's meetings have centered around the global recovery from the pandemic-induced economic shockwave. At the G-20 finance ministers' and central bank governors' meeting last October in Washington, a review of the grouping's COVID-19 Action Plan highlighted that "most emerging and developing countries will take many more years to recover" from the effects of the pandemic and have already suffered greater losses and economic scarring than advanced economies.

The International Monetary Fund has stated that such an impact could amount to as much as a 10 percent output loss by 2024 for low-income countries.

The high-income G-20 members, which account for more than 60 percent of the world's population, 75 percent of global trade, and over 80 percent of the world's gross domestic product (GDP), had expected to see their economies recover to pre-COVID-19 levels this year. However, the economic effects of the war in Ukraine have likely changed those expectations significantly and will compound disruptions to supply chains and trade flows. Sanctions and other restrictive measures will further complicate the recovery.

Given the integrated nature of today's economies and the dense network of trading relationships, the advanced economies have a vested interest in ensuring that there is more inclusive growth globally, including for the lower-income economies, if their own recoveries are to be sustainable.

INDONESIAN LEADERSHIP

Here is why Indonesia's chairing of the G-20 could not have come at a more important time. Classified as a lower middle-income country by the World Bank in 2021, Indonesia aims to use its chairmanship of the world's largest 20 economies to boost recoveries for less advanced economies in order to shore up its growth and graduate into an upper middle-income country – something it expects to happen at the World Bank's next review in July.

Indonesia has already demonstrated its intention to be a bridge builder as President Joko "Jokowi" Widodo has invited both the Ukrainian and Russian leaders to the G20 meetings at the end of the year, indicating that he is more open than most world leaders to providing a platform for them to have a dialogue that might bring the war to an end. Seen by some commentators as an international lightweight in the past, Indonesia has attempted to shed that image by voicing openly its concerns over the political situation in Myanmar and over the South China Sea disputes with China, including Chinese fishermen's incursions into Indonesian waters. These demonstrate President Jokowi's desire to leave a more global mark before the next elections. He will surely use the G-20 chairmanship to further support that desire.

Moreover, Indonesia has also been particularly committed to strengthening diplomacy in the health sector, underlining the current wide COVID-19 vaccine gap between developed and developing countries – an important issue to address to ensure a broader recovery of the global economy.

FEATURE ARTICLE
BY NOEL CLEHANE
INDONESIA'S G-20 CHAIRMANSHIP COULD NOT HAVE COME AT A BETTER TIME (Cont'd)

WHAT'S IN IT FOR BUSINESSES?

With all that in mind, the question remains: What does Indonesia's G-20 Chairmanship – now almost at the half-way mark – and its 2023 chairmanship of the Association of Southeast Asian Nations (ASEAN), mean for businesses planning to expand into Southeast Asia in the next two years?

In his address to the Davos Agenda 2022, President Jokowi outlined Indonesia's priorities and the G-20's three goals for the year and welcomed contributions from all global business leaders. These are to create a more resilient global health system, to optimise digital technology to support societal transformation, and to drive a fair and affordable transition to clean energy and the circular economy.

Businesses can also anticipate a targeted finance track, which has been listed as a priority in the agenda for the G-20 this year. This includes an exit strategy to support recovery; addressing the scarring effect of the crisis to secure future growth; standardising payment systems in the digital era; developing sustainable finance in the transition towards a low carbon economy; pursuing digital financial inclusion for underserved communities and Small and Medium Enterprises finance; and working on international taxation, particularly on Base Erosion and Profit Sharing (BEPS).

Interestingly, Indonesia's interests in pursuing structural and financial reforms are also among areas that Cambodia has identified as focus areas as Chair of ASEAN this year. These are recurring focus areas we are likely to see continue therefore during Indonesia's chairmanship of ASEAN next year.

The push for a low carbon economy and clean energy is clear and timely, given the impact of the Russia-Ukraine war on energy prices. The B-20, the official G-20 dialogue forum with the business community and hosted this year by Kadin, the Indonesian Chamber of Commerce and Industry, has already declared that it "will provide policy recommendations and actions for sustainable energy transition" with three focus areas, the Chair of the B-20 Energy, Sustainability, and Climate Task Force Nicke Widyawati told media on March 20.

These are to accelerate the transition to sustainable energy, by ensuring it is just, orderly, and affordable, and by enhancing global cooperation.

With the B-20 already introducing some partnerships with international clean energy players in recent months, businesses should feel that their "green" ambitions will get a lot more support during Indonesia's chairmanship of the G-20.

OPPORTUNITIES IN INDONESIA

In his Davos address last year, President Jokowi also welcomed foreign investments in six of Indonesia's core sectors – automotives, especially electric vehicles; export-oriented labour-intensive industries, including healthcare; infrastructure; renewable energy; tourism; and value-added mining.

The focus on FDI for Indonesia will allow businesses to leverage the country's evolving domestic policy conditions and rich endowment of natural resources in these key sectors. This provides businesses access to Southeast Asia's largest economy and consumer base, which will also give the Indonesian economy a long-overdue boost.

Increased FDI could bring significant advantage to Indonesian businesses through global value chain integration, increased productivity, wages, skills development, and the greening of the economy.

Coupled with the impending ratification of the Regional Comprehensive Economic Partnership (RCEP), companies outside of Indonesia seeking to expand their businesses into Indonesia and the region can expect a growing domestic market, young and technically trained workforce, and an improving investment climate. Its Q1 GDP growth of just over 5 percent and consensus targets for 2022 GDP growth of similar proportions suggest that Indonesia is recovering fast from the pandemic shock although the effects of the war in Ukraine are yet to be seen.

Indonesia's leadership of the G-20 is a defining moment for the country. For the G-20, it could be of larger strategic importance to the global economy and regional businesses than it may seem.

Given the deepening geopolitical tensions in the world and with the global economy still nervous about recovering swiftly enough from the pandemic, Indonesia, with its vast economic potential and leading role within the region, could help calm nerves on the geopolitical and economic fronts. Moreover, with President Jokowi looking to leave a legacy in his final term and play a more advanced international role, Indonesia could provide some very valued leadership for the world in 2022.

We should wish ASEAN's largest country and economy well in its efforts.

NOEL CLEHANE
Global Head of Regulatory & Public Policy
BDO

GUEST ARTICLE
FROM UOB ASEAN INSIGHTS
SET SAIL ON THE VOYAGE TO ASEAN

Many businesses began 2022 with headwinds. Recovery from the pandemic was interrupted by rising regional conflicts, which have further disrupted supply chains and set in motion inflation. How can companies continue to thrive in times of unprecedented change? Should enterprises think about setting sail and searching for a "blue ocean" of their own?

Despite the macro challenges, there are many reasons to be optimistic this year. The Association of Southeast Asian Nations (ASEAN) has drawn more foreign direct investments than it did before the pandemic. In Southeast Asia, quarantine-free travel has resumed; the Regional Comprehensive Economic Partnership (RCEP)—which went into effect at the beginning of the year—will also aid in the development of a more inclusive and open economic and trade relationship within the region.

The combined trade volume between China and ASEAN—both RCEP members—exceeded US$800 billion for the first time last year. ASEAN has been China's largest trading partner for two years running, while China has been ASEAN's largest trading partner for 13 consecutive years.

If we shift our gaze to the past, Deng Xiaoping's visit to Singapore in November 1978 was a catalyst in facilitating economic and trade ties between China and ASEAN. Over the past few decades, China has progressively opened up to foreign trade and investment and enacted free-market reforms, enabling it to become the world's second-biggest economy and the largest trading nation. Since then, the two markets have embarked on a journey of cooperative development and common prosperity. At UOB, we have been actively helping our customers seize new and growing opportunities in the region, made possible through our established network across ASEAN and China.

China is now an important driver of the global economy and a leader in international trade and investment. Chinese enterprises have strengthened their competitiveness, embarked on capital accumulation, boosted their innovation and execution capabilities, and embraced the vision of internationalisation. According to a study conducted by UOB Hong Kong and the Hong Kong Trade Development Council (HKTDC), nearly 60 per cent of companies in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) are considering further expansion into ASEAN within the next three years. Many companies regard ASEAN as the most preferred market outside China to establish a regional office.

GBA has been playing an important role in connecting China to international markets. For example, Singapore and Guangdong have established a cooperation committee mechanism; Sino-Singapore Guangzhou Knowledge City has been upgraded to a national-level project, while projects such as the Singapore-China (Shenzhen) Smart City Initiative have made good progress. With the development of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity and the New International Land-Sea Trade Corridor, connectivity via sea, land and air will be further enhanced. This will help drive the cross-border circulation of finance and technology, and enable enterprises in the GBA to take advantage of the restructuring of global supply chains post-pandemic.

As the most strategic international financial centre in the GBA, Hong Kong SAR can continue to strengthen its role as a bridge for enterprises in the GBA to enter ASEAN.

GUEST ARTICLE
FROM UOB ASEAN INSIGHTS
SET SAIL ON THE VOYAGE TO ASEAN (Cont'd)

The Free Trade Agreement and Investment Agreement between ASEAN and Hong Kong SAR, which went into effect in February 2021, have reduced trade and technological barriers, enabling enterprises to benefit from improved market access, increased legal certainty and fairer treatment. All these will strengthen Hong Kong SAR's position in supporting the expansion of GBA businesses into ASEAN.

As enterprises set sail toward open seas, they may need help to ride the wind and to read the waves. UOB is well positioned to offer Chinese enterprises strong support as they go global.

Early Chinese investors who expanded to ASEAN have gained valuable experiences amid challenges. They realised that what worked in China may not always work in ASEAN. To succeed, Chinese enterprises need to adapt to local customs, business practices and cultivate local talent through cultural inclusion. This is particularly true in Southeast Asia, with its diverse ethnic, cultural and linguistic population. This approach is similar to how foreign companies adopted localisation strategies when they expanded into China.

With more than 80 years of experience, UOB has an extensive regional network, a deep understanding of ASEAN and strategic coverage in China. In 2011, we set up a dedicated Foreign Direct Investment (FDI) Advisory Unit to connect Chinese enterprises with government bodies, trade associations, professional service providers and the Bank's client network. To strengthen the increasing trade and investment flows from China into Southeast Asia, we have also set up China Desks in Indonesia, Malaysia, Singapore, Thailand and Vietnam to better support Chinese enterprises to navigate the diverse economic and business environments across the region. Since the establishment of our FDI Advisory Unit, we have facilitated more than 3,500 companies in their cross-border expansion into Asia, of which 45 per cent are Chinese enterprises. These companies that UOB has supported since 2014 are projected to invest S$34.3 billion and generate 158,000 jobs, largely across Southeast Asia and Greater China.

Our experience in supporting Chinese enterprises to internationalise has given us a unique perspective. We are familiar with the local market dynamics in ASEAN and the nuances of doing business in China. This means that we are better equipped to help Chinese enterprises to find their own "blue ocean" by connecting the dots between business, people and business culture, in order to achieve success in ASEAN.

As businesses navigate uncertain waters, collaboration is key to success. Let UOB partner you on this journey towards a prosperous future. Bon Voyage!

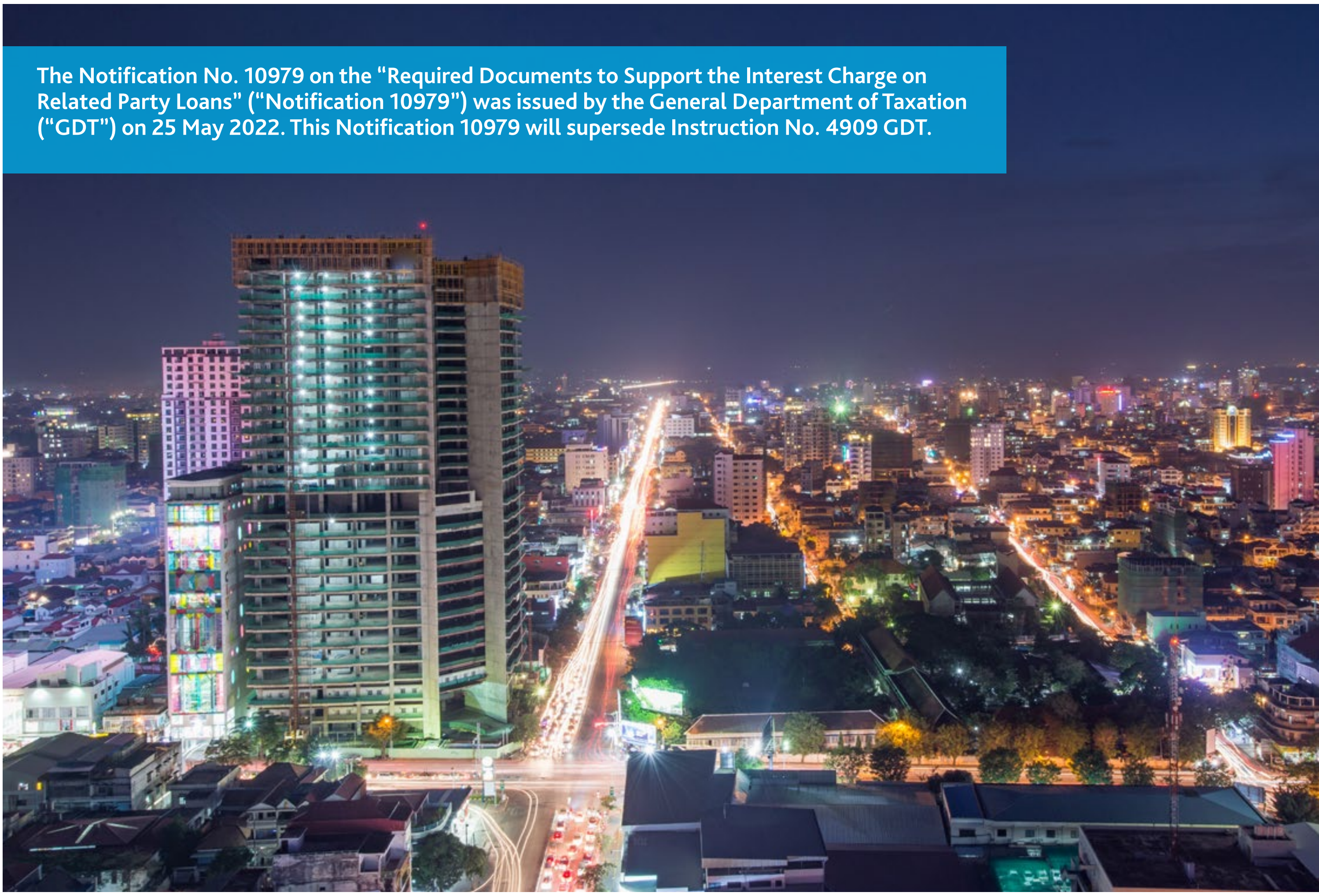
Source: UOB ASEAN Insights, 3 August 2022

This article "Set sail on the voyage to ASEAN" was first published on UOB ASEAN Insights. Reproduced with permission from UOB.

Visit https://www.uobgroup.com/asean-insights/ to receive the latest insights, market developments and useful information pertaining to foreign investments into ASEAN.

NEWS
CAMBODIA:
LAW ON RELATED PARTY LOANS

The Notification No. 10979 on the "Required Documents to Support the Interest Charge on Related Party Loans" ("Notification 10979") was issued by the General Department of Taxation ("GDT") on 25 May 2022. This Notification 10979 will supersede Instruction No. 4909 GDT.



Notification 10979 aims to ensure compliance with Prakas No. 986 MEF.P. on Transfer Pricing (dated 10 October 2017) and to provide a reasonable basis for determining the interest rate on related party loans. Under the Notification 10979, the GDT provides the following guidelines:

SUPPORTING DOCUMENTS REQUIRED TO SUPPORT RELATED PARTY LOANS

A loan entered between a Cambodian enterprise and its related party may have an interest rate that has been mutually agreed between the two parties. The enterprise would not need to comply with the Arm's Length Principle (as defined in Prakas 986), provided that the Cambodian enterprise has the following supporting documents:

1. A loan agreement specifying the terms of loan and repayment obligations;
2. A business plan or current/forecasted financial statements at the time of borrowing that provides evidence of the purpose of the borrowing and the relevant explanations; and
3. Approval of the Board of Directors (excluding single-member private limited companies).

DETERMINATION OF INTEREST RATE FOR RELATED PARTY LOANS

The Notification 10979 also clarifies that the interest rate used by an enterprise when borrowing money from related parties shall not exceed the prevailing annual market interest rate during the time of borrowing. This prevailing market rate is determined based on the average of the lending interest rates of five large Cambodian banks. This market rate will be issued by the GDT on an annual basis.

CASH ADVANCES

Any enterprise that receives cash advances from a related party that is repaid within one year from the date of receipt, shall not be considered to be a related party loan as set out in Prakas 986. As such, it will be exempted from the Arm's Length Principle.

NEWS

INDONESIA: VALUE-ADDED TAX ("VAT") TREATMENT OF CRYPTO ASSET TRANSACTIONS

GENERAL OVERVIEW

On 30 March 2022, Indonesia's Ministry of Finance ("MoF") issued MoF regulation No. 68 PMK.03/2022 ("MoF 68") which provide details and guidance on the VAT treatment of Crypto Asset transactions which are widely known in the community as commodities traded on the futures exchange. MoF 68 takes effect from 1 May 2022. In general, VAT is applied on the transfer and/or exchange of intangible commodities in the form of Crypto Assets made by individual and/or entity within the Indonesian Customs Area or via electronic channel.

TAX SUBJECT

MoF 68 defines Crypto Assets as cryptographed intangible commodities in the form of digital assets, peer-to-peer networks and distributed ledgers to regulate the creation of new units, verify and secure transactions without intervention of other parties.

Parties involved in the Crypto Assets trading covered under the regulation are as follows:

- Crypto Asset Seller, an individual or entity who sells or exchanges Crypto Assets.
- Crypto Asset Buyer, an individual or entity who receives Crypto Assets after paying the relevant price.
- Crypto Asset Physical Trader, an authorised party by the commodity futures trading regulator to conduct Crypto Assets transactions for themselves and/or to facilitate transactions between sellers and buyers of Crypto Assets. The trader can be e-commerce VAT Collectors (Penyelenggara Perdagangan Melalui Sistem Elektronik or "PPMSE") who provide the electronic channel for Crypto Assets trading.
- Crypto Asset Miner, an individual or entity that verifies Crypto Asset transactions in exchange for fees in the form of Crypto Assets, either individually or collectively in a mining pool.

TAX OBJECT

- VAT is imposed on the delivery of intangible taxable goods in the form of Crypto Assets, taxable services on the provision of electronic channel for Crypto Assets trading by PPMSE and taxable services in the form of Crypto Asset transaction verification services and/or mining pool management services by the Crypto Asset miner.
- The delivery of Crypto Assets from seller to buyer can be done within the Indonesian Customs Area and/or through the electronic channel. The transaction is done via one of the following options:
  1. Sale and purchase of Crypto Assets with fiat money;
  2. Exchange of Crypto Assets with other Crypto Assets (swap); and/or
  3. Exchange of Crypto Assets with non-Crypto Assets and/or services.

VAT RATE

- The prevailing VAT rate is 11%. For Crypto Asset trading, VAT shall be collected, remitted and reported by PPMSE as final VAT with classification and calculation below:
  1. If PPMSE is a Crypto Assets physical trader, 1% of the prevailing VAT rate (effectively 0.11%) multiplied by Crypto Asset transaction value is applied; and
  2. If PPMSE is not a Crypto Assets physical trader, 2% of the prevailing VAT rate (effectively 0.22%) multiplied by Crypto Asset transaction value is applied.

NEWS
MALAYSIA:
MALAYSIA DIGITAL STATUS

The Government of Malaysia has introduced Multimedia Super Corridor ("MSC") Malaysia through Malaysia Digital Economy Corporation ("MDEC") in 1996 which has immensely boosted the growth of digital activities in Malaysia. However, with the rapid shift in new trends, challenges, and constant advancement of digital technology, on 30 June 2022, MSC Malaysia was rebranded to Malaysia Digital ("MD"), with the aim to drive digital transformation and accelerate its growth into a knowledge-based economy.

ELIGIBILITY CRITERIA
MDEC is responsible for awarding MD Status to eligible companies which entitles them to a set of incentives and rights under the MD Bill of Guarantees ("BoGs"), subject to the eligibility criteria below:

a. Incorporated under the Companies Act 2016 and resident in Malaysia; and
b. Proposing to carry out or is currently carrying out one or more of the MD activities.

MD ACTIVITIES
The MD Status has introduced 4 new qualifying activities in addition to the previous MSC Malaysia Activities as listed below:

1. Virtual, augmented and/or extended reality;
2. Drone technology;
3. Advance telecommunication technology; or
4. Other emerging technologies deemed significant for the digital ecosystem (subject to approval).

CONDITIONS OF MD STATUS
The following conditions would need to be complied with within 12 months from date of award of MD Status:

1. The commencement of operation and undertaking of the MD Activities in Malaysia;
2. A minimum of 2 full-time employees (consisting of knowledge workers) with a minimum average monthly base salary of RM5,000, for the MD Activities;
3. Minimum annual operating expenditure of RM50,000 incurred for the MD Activities;
4. Has paid-up capital of a minimum of RM1,000.

BENEFITS
The MD status companies will have access to the following benefits:

1. Foreign knowledge worker quota and passes;
2. Tax incentives (income tax exemption or investment tax allowance);
3. Multimedia/ICT equipment import duty and sales tax exemption;
4. Competitive and ready infrastructure for businesses available at MD Cybercities/ Cybercentres;
5. Freedom of ownership by exempting from local ownership requirements;
6. Flexibility to source capital and funds globally; and/or
7. MDEC as the one-stop agency for MD Status companies.

POST-APPROVAL ADDITION OF NEW ACTIVITIES
MD Status company may add new MD Activities by applying via MDEC's website. MDEC will assess the application and present the application to the Approval Committee for approval. The additional MD Activities will be subjected to the same criteria and conditions for approval.

REPORTING AND MONITORING
MDEC requires the MD Status company to submit true and complete information and/or documents in relation to its MD Activities for the purpose of reporting on its progress and compliance with the conditions through a Self-Declaration Form ("SDF"). An independent external auditor must be appointed by the MD Status company at its own cost to verify the information.

NEWS
MYANMAR:
INVESTMENT UPDATES

LETTER NO	SUMMARY
Letter No. FE – 1/696 dated 6 July 2022 "Requirement to obtain approval prior to outward remittances or purchase of foreign currency"	The Central Bank of Myanmar ("CBM") stated that companies and organisations that are exempted from the requirements under Notification 12/2022 are required to seek approval from the Foreign Exchange Supervisory Committee ("FESC") for the following purposes: • outward remittances of foreign currency from their foreign currency bank accounts in Myanmar, or • purchase of foreign currency (on account of insufficient foreign currency in their foreign currency bank accounts in Myanmar).
Letter No. FE-1/744(Ka) dated 13 July 2022 "Suspension of repayments under offshore loans received by local residents"	Repayment of interest on or principal of foreign loans (cash or in kind) are suspended, hence authorised dealers ("AD") are to notify their customers (i.e., companies and individuals) that have obtained foreign loans to negotiate the repayment schedule for loan interest and principal with their foreign lenders.
Letter No. FE – 1/739 dated 13 July 2022 "Revocation of the exemption granted to certain Directorate of Investment and Company Administration ("DICA") companies regarding compulsory foreign currency conversion"	The exemption (introduced less than a month ago) granted to DICA registered companies (having 10% or more foreign shareholding) from the requirement to compulsorily convert their foreign currency into Myanmar Kyat has been revoked.
Letter No. FE-1/754 dated 15 July 2022 "The requirement for companies with up to 35% foreign ownership to convert foreign currency into Myanmar Kyat ("MMK")"	CBM instructed the authorised dealer banks to convert foreign currency held by Myanmar companies with up to 35% foreign ownership. CBM provided the banks a list of companies in addition to requesting information.
Directive No 11/ 2022 dated 10 August 2022 "Setting a trading bank in relation to the purchase price and sale price in the sale. Purchase and exchange in the foreign currency market"	Selling, purchasing or exchanging of foreign currency by banks/ companies/ organisations with an AD license and/or money changer (MC) license and transferring of foreign currency to or from a destination abroad by companies with an offshore remittance license are instructed to do this at a foreign exchange rate within a bandwidth of ± 0.3% from the CBM reference rate (CBM Reference Rate ± 0.3%).
Letter No. FE-1/Pa Ka/1937 dated 16 August 2022 "Foreign currency earnings of exempted companies, organisations and individuals from the Notification 12/2022 dated 4th April 2022"	The exempted companies, organisations and individuals from the mentioned notification may use their foreign currency earnings for themselves, sell them to a person other than an AD licensed bank, or sell them to an AD licensed bank. However, all cross-border transactions still require FESC approval.
Letter No. FE-1/Pa Ka/1956 dated 16 August 2022 "Export earnings in reference to Notification 36/2022"	Exporters are required to convert 65% of their export earnings to MMK and may use the remaining 35% of the export earnings for themselves, transfer them to person other than AD licensed banks, or sell them to an AD licensed bank. However, all cross-border transactions still require FESC approval.

NEWS

MYANMAR:
GUIDANCE ON WITHHOLDING TAX REPORTING OBLIGATIONS

On 9th June 2022, the Internal Revenue Department (IRD) issued Practice Statement (PS) No 1/2022 - Guidance on withholding tax reporting obligations.

IRD had in 2020, issued PS 2/2020, allowing taxpayers under the Self Assessment System (SAS) to make their judgement on the application of withholding tax (WHT) on payments made to non-resident foreigners for service contracts with a value of less than USD100,000 or the equivalent amount in another currency, without having to seek upfront approval from IRD for exemption of WHT.

However, IRD noted that taxpayers have wrongly applied their understanding of PS 2/2020, Double Taxation Agreements and Notification 47/2018, resulting in failures in deducting WHT, determining the wrong class of income in computing WHT, and assuming all service contracts with a value of USD100,000 or the equivalent amount in another currency are exempted from WHT.

As a result, before making payments to non-resident foreigners, taxpayers must now seek upfront approval from IRD on the application of WHT by submitting the relevant supporting documents.

NEWS

THAILAND:

AN ENHANCED FOCUS ON INTERNATIONAL BUSINESS CENTER ("IBC")

The government offers both tax and non-tax incentives to investors establishing IBC companies in Thailand as it continues to promote the country as a hub in the region. An IBC company is engaged in the provision of managerial and technical support or financial management services to its associated enterprises located in Thailand and overseas.

The following incentives are available:
- Import duty exemption on machinery to be used for R&D and training activities;
- Permission to bring in foreign skilled personnel and experts to work on the IBC investment promoted activities;
- Majority of 100% foreign ownership of the IBC company;
- Ability to own land for use in the IBC business; and
- Lending foreign currency to associated enterprises in foreign countries and lending Thai Baht to associated enterprises in Thailand, Vietnam and other countries bordering Thailand.

IBC replaced the International Headquarters ("IHQ"), Regional Operating Headquarters ("ROH") and International Trading Center ("ITC") regimes.

Aside from the competitive incentives, there are several factors that make Thailand attractive for multinational companies. Thailand stands at the heart of the ASEAN Economic Community. It also has excellent connections with the fast-growing neighboring CLMV (Cambodia, Laos, Myanmar, and Vietnam) countries. The powerhouse economies of nearby China and India are also easily reachable from Thailand by virtue of its world-class infrastructure for air, land, sea, and rail transportation. It also boasts excellent digital connectivity, high-skilled workers, and a country with an excellent standard of living, making Thailand an outstanding value when considering its overall cost effectiveness.

LONG-TERM RESIDENT ("LTR") VISA

Thailand has introduced LTR under a program that provides a range of special benefits to enhance the country's attractiveness as a regional hub for living and doing business. The renewable LTR Visa makes it easier for high-potential foreigners to live and work in Thailand. LTR Visa is open for application from 1st September 2022. The visa will be granted to the following five (5) categories of foreigners:
- Wealthy global citizens
- Wealthy pensioners
- Work-from-Thailand professionals
- Highly skilled professionals
- Spouses and dependents

The privileges include:
- Up to 10 years visa (renewable)
- Fast-track services at international airports in Thailand
- 90-day report extended to 1-year report and exemption of re-entry permit
- 17% personal income tax for highly skilled professionals
- Immigration and work permit facilitation services at One Stop Service Center for visa and work permits

CORPORATE INCOME TAX EXEMPTION

Tax measures recently issued by the Thai government:
- Exemption from income tax and VAT for persons and companies donating money or property to the government from 6th March 2022 until 31st December 2023 to support COVID-19 related measures.

- 50% additional corporate income tax (CIT) deduction for expenses incurred in buying COVID-19 test kits for use by its employees from 1st April 2022 until 31st December 2022.

- Tax exemption for proceeds from the sale of property with buy-back option.

- CIT and VAT exemption for importing goods used for treatment, diagnosis, or prevention of COVID-19 for donation to specified organisations from 1st April 2022 to 31st December 2023.

BDO is one of world's largest professional services firm and the fastest growing international network of accounting firms with more than 95,000 partners and staff working in 1,713 offices operating across the globe in 164 countries and territories.

BDO has a dedicated team of Tax specialists who are committed to delivering a consistently high quality of services. With a wealth of global resources within our grasp while possessing an in-depth understanding of local business needs and regulations, combined with the quality of staff and experience with clients, multi range of industries and projects, we can provide excellent value proposition for any business.

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